

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 474 - HB 771

April 1, 2019

SUMMARY OF ORIGINAL BILL: Enacts the Annual Coverage Assessment Act of 2019, which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$446,771,000/FY19-20/
Maintenance Coverage Trust Fund

Increase State Expenditures - \$446,771,000/FY19-20/
Maintenance Coverage Trust Fund

Increase Federal Expenditures - \$843,542,400/FY19-20/
Maintenance Coverage Trust Fund

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$1,290,313,400/FY19-20

Increase Business Expenditures - \$446,771,000/FY19-20

Jobs Impact – Not Significant

SUMMARY OF AMENDMENTS (006210, 006959): Amendment 006210 deletes all language after the enacting clause. Enacts the *Annual Coverage Assessment Act of 2019*, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base.

Amendment 006959 changes the annual coverage assessment percentage to 5.87 percent from 4.87 percent and adds language requiring an amount equal to one percent of a covered hospital's annual coverage assessment base be deducted from the annual coverage assessment that the hospital pays and be deposited into a separate account (the TennCare Expansion Fund) for the exclusive use by the Division of TennCare to expand TennCare coverage to persons who are medically eligible as uninsurable persons, are below 100 percent of the federal poverty level, and have a behavioral health diagnosis.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue - \$602,315,500/FY19-20/

**Maintenance of Coverage Trust Fund
\$123,678,800/FY19-20/TennCare Expansion Fund**

Increase State Expenditures - \$602,315,500/FY19-20/

**Maintenance of Coverage Trust Fund
\$123,678,800/FY19-20/TennCare Expansion Fund**

Increase Federal Expenditures –

**\$1,137,223,900/FY19-20/Maintenance of
Coverage Trust Fund
\$233,516,200/FY19-20/TennCare Expansion Fund**

Revenue recognition in the amount of \$446,771,000 is included in the Governor's proposed FY19-20 budget (page A-36). Corresponding non-recurring appropriations in the amount of \$1,290,202,300 (\$446,771,000 in state funds and \$843,431,300 in federal matching funds) are also included.

Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the 5.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue of \$725,994,278.
- Of the \$725,994,278 increase, \$602,315,525 will be deposited in the Maintenance of Coverage Trust Fund (MCTF) and \$123,678,753 will be deposited in the new TennCare Expansion Fund.
- It is estimated \$725,994,278 will be expended at a state rate of approximately 34.625 percent and will receive federal matching funds at a rate estimated to be 65.375 percent. The resulting increase in federal funds will be approximately \$1,370,740,099 $[(\$725,994,278 / 34.625\%) \times 65.375\%]$, of which \$1,137,223,897 will be for the MCTF and \$233,516,202 will be for the new TennCare Expansion Fund.
- The total increase to the MCTF is approximately \$1,739,539,422 (\$602,315,525 state + \$1,137,223,897 federal).
- The total increase to the new TennCare Expansion Fund is approximately \$357,194,955 (\$123,678,753 state + \$233,516,202 federal).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue - \$2,096,734,400

Increase Business Expenditures - \$725,994,300

Jobs Impact – Not Significant

Assumptions for the bill as amended:

- Hospital providers will incur an increase in federal revenue in FY19-20 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures in FY19-20 for funding the state portion of the Act.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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